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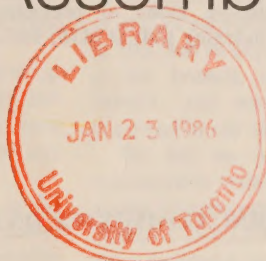


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Standing Committee on Public Accounts

Estimates, Office of the Provincial Auditor

First Session, 33rd Parliament

Thursday, December 5, 1985

Speaker: Honourable H. A. Edighoffer

Clerk of the House: R. G. Lewis, QC

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Gillies, P. A. (Brantford PC)

Leluk, N. G. (York West PC)

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, December 5, 1985

The committee met in camera at 10:15 a.m. in room 151.

After other business:

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

Mr. Chairman: We also have to deal with the estimates of the Provincial Auditor this morning. This is going to take up the major portion of the meeting. I will be extracting myself from the meeting very shortly to go to a House leaders' meeting and I will ask Mr. Runciman to take over.

In all probability, this will be the last meeting of the standing committee on public accounts committee that I will be chairing. I have been given some additional responsibilities by our leader.

I have really enjoyed my brief tenure as the chairman of the standing committee on public accounts. I have always regarded it as probably the most important committee of the Ontario Legislature. It is very nonpartisan. I must compliment the members on the professional and sincere approach they have brought to their duties while I have been chairman of the committee and while I served for approximately a year as vice-chairman. It has been a pleasure. You have made my job a lot easier. Thank you.

Mr. Ashe: Are you going to throw a party?

Mr. Chairman: No, I cannot afford it.

Mr. Archer, do you have some opening comments or remarks you would like to make?

Mr. Archer: I have some brief opening remarks, Mr. Chairman. I would like to begin by introducing members of my staff. To my immediate left is Jim Otterman, whom you have probably seen before this committee. He is the Assistant Provincial Auditor. To his left is John Cruise, our director of personnel and administration.

In preparation for this meeting, we distributed copies of a briefing booklet and some other information. I hope you have had a chance to at least browse through it. This is the same document we presented to the Board of Internal Economy last spring to get our estimates approved in the first place. The figures in it are as of January 1985, but if you want any of the

figures brought up to date my staff would be prepared to do that.

I want to comment briefly on some of the prominent features of the budget. Our total budget is in the neighbourhood of \$4.9 million, which is an increase of some \$650,000 over the previous year. Ninety per cent of our budget is for salaries and employee benefits, so you can see we are a labour-intensive operation.

The major changes in this year's budget which affect salaries and benefits are, first, an increase in staff of approximately seven per cent, from 99 to 106, and an expanded organization. We added a new branch, called a special assignments branch, and we added two new executive positions to our office.

We felt we needed a larger or expanded organization with respect to the special assignments branch because over the last two or three years we found that more of the office's time has been devoted to special assignments activities, a good measure of which has been a result of resolutions by the standing committee on public accounts. A couple of major examples were the reviews of Ontario Hydro and Algonquin College.

10:20 a.m.

We have also undertaken to do more special assignments ourselves as we move into government-wide reviews, as opposed to ministry-wide reviews which characterized our operation up until recent years. As a result, with this increasing emphasis on the special types of reviews, we have created a branch whose sole function will be to conduct such reviews for the office.

As for the two new executive positions, we have found over the past two or three years that the Provincial Auditor and the Assistant Provincial Auditor are becoming very involved in the day-to-day work of the office, particularly now that we are heavily into what we call value-for-money or broad-scope auditing. The attention to planning and monitoring the activities of the office was suffering. To try to overcome that, we created two new positions which we hope will take that deep involvement away from the two senior positions and put them at another level in the office.

As a byproduct of the expanded organization, we feel the two new executive positions will also give us a better career path in the office and enhance our ability, we hope, to attract and retain good staff.

If you have had a chance to look through the briefing book, you will note we have quite a high turnover. It is because of the professional nature of the people. Most have university and accounting degrees and they are very marketable commodities. If they get to a point in our office at which they are stymied because of lack of promotion opportunities or whatever, they soon start to look around to see what else is available, either in government or outside it. To try to minimize that, we feel this expanded organizational structure will create, in the eyes of people coming in, the perception there is a career path within the office.

Also, the proposed organization brings us more in line with what exists in other provincial audit offices. If you will turn to appendix F in the briefing book, you will see that we have compared our organizational setup with the ones in the three largest provinces other than our own: British Columbia, Alberta and Quebec. You can see the percentage of total senior staff in our office was considerably less than exists in the other three provinces. By adding these three new positions, the director of special assignments and the two executive directors, we have brought ourselves more in line with what exists in other jurisdictions.

That is all I have in the way of general comment. Either I or my staff would be pleased to try answering any questions the members might have.

The Vice-Chairman: Do the critics for the various parties have opening statements or comments they would like to make?

Mr. Philip: I have a problem, Mr. Chairman. I realize it is not your problem, but since I have to be out of here to speak at an engagement downtown at 11:45 a.m., does the Progressive Conservative critic have an opening statement? Can I have some idea of how long it would be?

Mr. Ashe: I am the critic, and I will be a couple of minutes. Unfortunately, the clerk and I have another committee to appear before at 11 o'clock. I have only some brief comments rather than a prepared statement, so I will just take a couple of minutes.

Mr. Philip: Okay. Thanks.

Mr. Ashe: I appreciate the opening statement of the Provincial Auditor. He dwelt on a couple

of the issues I was going to mention, but I would like to hear about some of them in a little more detail.

The general overall question that automatically comes to mind, keeping in mind the rather queer timing of the whole estimates procedure this year and that the fiscal year is nearly three quarters over, is that of the reorganization and the actual increase in staff complement. I would like to hear an update of how many of the proposed changes have been successful. Has the reorganization fully taken place? Has it been started, pending the approval of estimates?

I would like him to go a little bit more into the turnover question and highlight whether there has been any change in the percentage turnover in recent years because of something we have done. I mean "we" in the context of your operation and the direction you have been given by the assembly over the years. Is the approximately 20 per cent normal to what it has been over the last number of years?

During the 12 months of 1984-85, ending January 31, 1985—I am looking at the top of page 6-29 employees joined the office and 18 separated, for a net gain of 11. That would seem to indicate that you are constantly running under complement. Has that been rectified?

When you talk about the accounting students—again a substantial number as of January 31, 1985—all 29 are graduates of universities or community colleges. Is this the norm? Is this situation more because of budget limitations or is the attraction the learning curve for the students, depending on their level of knowledge? Is the in-office training for a chartered-accountant student the same as if he were working, for example, in the office of a chartered accountant? Is the equivalent there?

"Course costs leading to membership in a recognized professional accounting body will be reimbursed by the office upon successful completion of the courses or examinations written." Again, on the nature of how these people come in and, it would appear, how fast they go out, is this degree of generosity common within the accounting field in this day and age? I was familiar with it 25 years ago, but I am not today.

Are there any strings attached? Is there any great attraction of avoiding personal costs of finalizing their degree versus saying, "I got my designation yesterday; my notice for two weeks is in today and I am gone"? I appreciate the nature of the background of these students. You indicated they are all university and/or community college people to start with, so they are

relatively competent. Are we getting full advantage of the educational portion the taxpayer paid for?

Those were the main points. I appreciate and understand that in relative terms the Office of the Provincial Auditor has been a relatively frugal operation and, compared to other jurisdictions in Canada, it seems to have operated quite efficiently.

There is one other area I would like to touch on. This may not be the right point in the estimates in the sense of dollars and cents, but it is relevant based on the annual report. I use a specific example here. I appreciate we are not talking about this report at this point.

10:30 a.m.

One of the items that is still appearing in the papers as late as today is the business of keeping the hangman on the payroll for some great number of years. I would like to hear an indication of how something like that would be there for so many years before becoming an issue

Mr. Philip: It is the only way I could pay for the cottage.

Mr. Ashe: Is that it? It would be a bit of an education for me as well as for some of the newer members of the Legislature who are on the committee. As for the estimates themselves, a 15.4 per cent increase is indicated because of the increased staffing that apparently is needed. I would like a current update as to where that sits. I may be pre-empting what you are going to say, but I presume the actuals are going to be somewhat less than the estimates because of the nature of the timing of these estimates. I only have a few minutes and that is all I have to say.

The Vice-Chairman: Mr. Archer, would you like to respond?

Mr. Archer: I will try. I took some notes and I think I got most of the questions Mr. Ashe asked.

As far as our organization is concerned, we instituted the new expanded organization effective October 1, 1985. Our audit year actually starts October 1 and goes to September 30, so we instituted the new branch and got the new people effective October 1. The two new executive positions we mentioned also came in on October 1.

Mr. Ashe: Excuse me. I have two quick questions that come from that, which you can feed into what you were going to say. Were the original estimates predicated on an October 1 start?

Mr. Archer: Yes.

Mr. Ashe: In a fiscal sense?

Mr. Archer: Yes.

Mr. Ashe: How did the two new executive directors come about? Were they internal promotions or were they hired from outside?

Mr. Archer: All three, the new director of the special assignment branch and the two executive director positions, were promotions from within our office. We intend to do that whenever possible to give the staff the understanding that there is a path. Only when we do not have someone we feel is capable of filling a position will we go outside to fill it.

I believe our total staff is up to 105 at the moment and our complement is 106. In the briefing book, we also make reference to the fact that one reason we never got up to full complement in past years was a fear that at some point we might go over complement. In this year's budget, we got permission from the Board of Internal Economy temporarily to go above 106 to 107 or 108, perhaps to 110 at times, provided we stay within our overall dollar budget. With our turnover experience, we feel there are occasions when we may go over the 106 figure, but that can quickly be rectified to get us down to within the 106 complement.

The staff turnover in our office has been high from the time I joined it. However, there now is quite a difference in the nature of the turnover. At one time, we used to have difficulty retaining senior people who had their degrees and a few years' experience with our office. We were losing people we did not want to lose.

More recently, the bulk of the turnover has been within our student complement. A lot of that is people we are phasing out ourselves because we do not feel they have the capability for the type of work we do, or we do not feel they have the capability to pass the exams in whatever course of instruction they are in. A lot of it is what you might term people being counselled out.

All our students are on contract, as explained in the briefing book, so we do not have much difficulty. We do not have the usual civil service severance problem and that makes our lives a lot easier in that respect. This is not to say we do not still have senior people leaving. However, the swing has been more to turnover at the student rather than the senior levels of staff.

With respect to students, we try to keep a complement of anywhere from 25 to 30. The working strength of our office is in that student body and they have to meet the same training requirements for whatever course they are in,

such as the chartered accountant course, as would be required of a student working for a public accounting office. For example, we are subject to practice inspection by the Institute of Chartered Accountants of Ontario to make sure that we are up to snuff and that the students are being properly trained, as they would be if they were with a public accounting firm.

Our salary levels are comparable with what is being paid to students in public accounting firms. We reimburse course costs. As you point out, Mr. Ashe, we probably reimburse a little more generously than most of the public accounting firms. We did that when we started out. We first got the right to article or train CA students in about 1976. At that time, it was difficult for our office to attract students because of competition from the major firms. To get some through our doors, we had to offer a little more in the way of compensation and course reimbursement costs.

I think we have maintained the benefits. We have not cut them to any great extent, but I think that with so many years of experience under our belt and with the fact our office is getting to be much better known than it was eight years ago, we do not have the same difficulty hiring students when we go on campus as we used to have. It is probably time—if not now it soon will be—to consider dropping or lowering some of the reimbursement benefits we offer to students. Maybe we do not have to be as generous in that regard as we had to be a few years ago. That is an area we will be looking at, probably for next year's budget.

I am not sure whether I have covered all the other points, Mr. Ashe, but if I have not, let me know.

With regard to the hangman, I think inherent in your comments is the question, if this situation has existed at least since 1976, why did we find it only in 1985? All I can say in defence is that we do not audit every ministry every year, and when we do audit a given ministry we do not audit every thing every year. For example, when we audit the accounts payable system, which is the one through which this individual would have been paid, we do so on a statistical sampling basis and pick a number of transactions, look at them and satisfy ourselves the system is working properly. In addition, we scan payments for unusually large amounts or amounts that seem strange; perhaps the payees are strange.

10:40 a.m.

In this case, that is how we came across this item this year, although as you indicated the situation has existed for some time. That is the

nature of auditing and in a case such as that we feel we have to run the risk of people asking: "You have been auditing that place for the last seven years. Why did you not tell us about this before?" We could avoid that type of question by not bringing the issue to light, but we feel we have to do it, no matter when we find it. If we think it is of an unusual nature we should bring it out in our report and be prepared to answer why we did not uncover it earlier.

The Vice-Chairman: If the members do not mind, perhaps we can adhere to Mr. Philip's request. We will deal with additional questions by Mr. Philip and get his comments at this point.

Mr. Philip: There are a number of matters I want to deal with in my leadoff. Essentially, they boil down to two issues: first, whether the role of the auditor should include additional powers; and second, the role of the other side, internal auditing, and whether the functions now under Management Board of Cabinet are adequate and whether there are adequate controls to stop moneys being wasted in such a way that the auditor eventually discovers them after the moneys are wasted.

Some of you may have heard the member for Waterloo North (Mr. Epp), the member for Brantford (Mr. Gillies) and myself dealing with an issue I said I was proposing today on Metro Morning. I was pleased to see that the member for Brantford was very supportive and that the member for Waterloo North, while not enthusiastic, at least did not say no. Coming from a government member, that may be the best you can do nowadays, for the next few weeks anyway.

I found it disconcerting that in the present auditor's report—I am not going to debate the present auditor's report except with respect to the principles and lessons we can learn from it—six or eight items are carried over from previous years such as Ontario Lottery Corp., Ontario Place Corp., Ministry of Transportation and Communications, Ontario Cancer Treatment Foundation, Ontario Heritage Foundation and Algonquin College, not to mention the notorious Ontario Housing Corp., which seems to have had problems in the whole area of security services for a number of years and which has been debated in the Legislature, if not dealt with by the auditor.

That leads me to wonder whether we have to look at a different system for catching, not only to monitor the auditor's report but also to follow up to ensure that ministries are working on the problems. It is fairly clear that at least in the past, Management Board and the internal audits have

not worked sufficiently because matters keep coming up and being repeated.

In looking at page 11 of the auditor's report, I found it somewhat disconcerting that improvements were required with regard to our audits in the Ministry of the Attorney General, the Ministry of Natural Resources, the Ministry of the Solicitor General and the Ministry of Government Services. If there was ever a ministry that should have adequate internal auditing and monitoring, it should be Government Services, with the amounts of money it is putting out.

It led me to ask myself, "What is happening with Management Board?" There are a number of problems the Chairman of Management Board faces, no matter who the incumbent is. One is a political problem. How far is a cabinet minister's career going to go if he or she starts stomping on other cabinet ministers? That is a real problem any Chairman of Management Board has.

I suggested on Metro Morning—it is not an original idea because I borrowed it from Dr. White—that one way would be to increase the prestige and power of the office by making the Chairman of Management Board also the Deputy Premier. I am not sure that would solve the problem completely, but it would at least bring it closer to the Office of the Premier and closer to being a powerful position, which is what it should be.

Mr. Ashe: We had that for 14 weeks.

Mr. Philip: Yes, and 14 weeks is—

Mr. Ashe: Relatively brief.

Mr. Philip: Yes.

Mr. Ashe: That was when Miss Stephenson was there.

Mr. Philip: It seems to me that even with powerful ministers such as Dr. Stephenson or Elinor Caplan, we are still faced with those political problems. We are also faced with the problem that if a minister becomes very unpopular, particularly to a Treasurer or a Premier, in trying to stop things or to be more efficient in the way in which our government is run by stepping on the toes of pet projects that a Treasurer or Premier may wish, then he or she is going to be quickly removed and replaced by someone less strong and forceful than a Bette Stephenson or an Elinor Caplan.

It seems to me that was a problem addressed by the federal government in appointing a Comptroller General. That office was set up in 1978. Maybe I am oversimplifying, but basically the Comptroller General is a management consultant

to government. He is there to try to stop the mistakes from happening in the first place. Looking at the various branches he has under his domain, "The policy development branch develops and maintains financial and management accounting policies for the government of Canada and offers technical and implementation advice to departments and agencies on these policies."

The auditor will recall that when I or one of the other members asked him how the internal auditing systems and comprehensive auditing was working in the different ministries, he said, "Some are better than others." Other auditors have said similar things at public accounts conventions. In Ontario, we are probably better than a lot of the provinces; I do not question that. I think a lot of the credit goes to the professional development work the provincial auditor has done in working with ministries to try to develop that.

I wonder whether there has to be someone who reports to the Chairman of Management Board, such as the Comptroller General who reports to the equivalent who, under the Financial Administration Act, is the President of the Treasury Board, more or less like the Chairman of Management Board in our terminology, who works closely with the auditor, but deals with that function within the government.

There is a management practices branch under the Comptroller General that "works directly with deputy ministers and senior managers in departments to ensure that departments develop, use and implement sound management practices tailored to their needs and an integrated approach to financial and nonfinancial planning and reporting to improve management practices and controls."

Then "The program evaluation branch [works] to ensure that the periodic, critical and objective examination of programs becomes an established practice in...the public service."

In addition to that, the Comptroller General of Canada had some interesting roles placed on him by the public accounts committee of the House of Commons this year, when it recommended he be given responsibility for all aspects of cash management. Aileen Nicholson, with whom I have had a chance to talk at some length at public accounts conventions, pointed out that a clearly defined line of responsibility is preferable to shared accountability by interdepartmental committee, which is the present arrangement.

10:50 a.m.

We can see that the federal government has been moving in that direction. While there will always be abuses we still have to have some controls. I have been a management consultant to both government and private enterprise and can show you even more glaring examples in private enterprise. However, the media and others never know about it, only people inside the company. We still have to have some controls, and I hope the auditor will address himself to that issue.

The committee should also address itself to that issue. Mr. Gillies expressed a willingness to have the committee look at the possibility of recommending that a controller general position be established in the government. I hope the government members look at that.

Basically, if the controller general really hurts, he saves an awful lot of embarrassment when the Provincial Auditor's report comes out because he catches a lot. I think it would be in the interest of the Liberal government to try to catch a number of mistakes before they reach the embarrassment of things like the hangman, of Ontario Housing Corp.'s recent revelations or of the Board of Industrial Leadership and Development program.

I know the auditor has read my presentation to the seventh annual meeting of the Canadian Council of Public Accounts Committees, which was held on July 9. If some of the members want to read it, I believe there is a copy in the Legislature. It is the Hansard turned out by the government of the Yukon.

I dealt with the role of the auditor. It was fairly evident that our problems are not the problems of other provinces. Whether you have to look seriously at the American system depends on how large you are. The Americans have had to come to grips with the problem. When you are spending billions of dollars you have to have a system that is more accountable, you have to have a system that is more open and you have to deal with the fact that somebody can blow a billion dollars simply by sneezing in the wrong direction and making a serious error.

If you read the Hansard you will see that people like the members from the Northwest Territories were saying: "We do not have that problem. Why do you want to set up an elaborate mechanism when we do not understand what the issue is?" I understand their point of view. If I had a very small province where I as an MLA or an MPP knew every civil servant in the province and could sit down with them over coffee and say, "Look, there is a goof-up here," then I do not think I would need a public accounts committee.

Indeed, in the Northwest Territories I believe the public accounts committee is the whole legislative body.

When dealing with a very complex society and with the richest province in Canada and with huge budgets, we have to say: "Maybe the Americans are not all wrong. Maybe they have had to come to grips with this earlier because they are bigger and because they have had these problems."

I suggested that we should look at the General Accounting Office and perhaps expand the powers of the Provincial Auditor. If you look at the three powers of the GAO, the first two are very similar to ours, but the third power that is defined is that, basically, the GAO can consider whether alternatives have been looked at to meet the desired objectives of a department, or what we would call a ministry. It does not interfere in policy, but it does ask, "Are the objectives in place, and were there cheaper ways of dealing with them?"

I spent a fascinating day; Mr. Wildman and maybe one or two of the other members of the committee were with me. I saw an example in the United States of an admiral who had spent billions of dollars trying to meet defence needs because he had a particular liking for aircraft carriers, so he went out and ordered all kinds of aircraft carriers.

Mr. Wildman: Seven.

Mr. Philip: Seven of them. An aircraft carrier costs something like \$5 billion, if I am not mistaken. Maybe it is \$7 billion. When you get into these huge mind-boggling figures I cannot recall the numbers. He ended up with all of these, but they were not meeting the military objectives that had been clearly set down by Congress and by the President.

Mr. Wildman: They needed destroyers.

Mr. Philip: Yes, they needed destroyers, not carriers. I am not familiar with the technical jargon, because we do not deal with that kind of thing in the provincial government.

The fact is that the inspector was able to go in. He had expert military advisers on his staff, either on contract or otherwise, who could go in, look at what each of these various types of equipment does and advise him on the fact that the military objectives were not being met and that one particular admiral's preferences or hobbies were being met but that they were at the jeopardy of the defence program.

He was not asking only the kinds of questions our Provincial Auditor would ask. All the tenders and whatever you need to purchase an aircraft

carrier were probably in order. They were probably properly tendered and were perhaps value for money. The fact is that they should not have bought aircraft carriers in the first place.

That is the kind of issue that we have to expand the role of the Provincial Auditor to deal with. The only way we can do that is to expand the kind of expertise he can contract for.

The third that we had with our inquiry into Hydro was that, while the Provincial Auditor and his staff did an admirable job when it came to examining the accounting side of matters, they did not have their own energy experts on board and therefore had to accept and parrot back to us the expertise of Ontario Hydro. I am not sure that Ontario Hydro gave the auditor completely unbiased energy opinions. If we go this route, the auditor has to have the flexibility to hire his own consultants in individual policy areas, and they have to be independent of the government.

The other thing we have to look at is that most of the estimates around here are a waste of time because we are dealing with moneys spent in the past. They are a waste of time because we do not have the information to enable us to come to grips with any of the issues. We do not have the financial information. We have to expand the role of the auditor to where he may undertake contracts, if you like, or provide advice not just to the public accounts committee but also to other committees.

When we dealt with Ontario Hydro, it should not have been in the public accounts committee. It would have been much better in a committee where there were members who were Energy critics and the parliamentary assistant to the Minister of Energy, people who had been dealing with that subject. I had to start a complete tutorial on energy. A number of members of the committee were like that. We had to go to our critic on energy and ask, "What do these terms mean?"

I suggest that unlike under the present act, where the auditor simply undertakes tasks on his own initiative, on the initiative of the government at the request of a minister, at the request of parliament or at the request of the public accounts committee, there should be an opening for a committee that is dealing with a complex problem to go and, in a sense, get the Provincial Auditor's office to act as a consultant to it so it can deal with the financial aspects in a meaningful way.

My colleague the chairman of the standing committee on procedural affairs and agencies, boards and commissions has a number of

recommendations in a different vein, but they are complementary to the proposals I am making; I do not think they are in place of them.

I hope the auditor will address himself to that. I know his views are perhaps less in that direction than Mr. Dye's or those of one or two of the other provincial auditors. Indeed, he is more flexible and more open to these ideas than some of the other provincial auditors. That is a geographic matter rather than the philosophical problem. How big the problems are and how big the economy is, probably affect how you see it.

11 a.m.

I would like to deal with the inquiry the auditor conducted into Ontario Housing, because it shows the value of what would happen if he had some of the expertise, such as experts in the real estate business in this case, at his disposal. There were a number of questions he did not ask, or if he did ask them, he did not show them in his report.

You may recall that Ontario Housing Corp. moved to Bay Street from its Bloor Street locations. I want to deal with a few questions that I do not feel were addressed in this in the hope that he might continue his investigation and look into some of them. Unfortunately, one of the problems we had when I raised the matter in the debate on the Ministry of Government Services and Management Board is that the minister has taken the position that she cannot obtain documents from the previous government. The fact is that she could request them, and if they refused, there is nothing she could do, but she has taken an adamant stand that she is not going to look for skeletons in the closets of the previous government.

I suggest that as a minister she has the responsibility to look at who made the major bumbles in the previous government, because those same public servants are still around today and may well duplicate the kinds of bumbling on her behalf instead of for the previous government.

The auditor, quite interestingly, found a number of things wrong with the move of the Ministry of Municipal Affairs and Housing. First, he pointed out that it was wrong for the government to restrict its leasing proposals from only two candidates. He said the net effect over the term of the lease would be \$10 million to \$13 million. As I understand it, if you project that into the next 25 years or so, you are talking about more like \$40 million. I would appreciate your looking at that possibility.

We also have to look at and get a solid answer to why public tenders were not allowed at the time when we were dealing with such large amounts of money and when office space was available in downtown Toronto. He may correct me if I am wrong, but I do not think the Provincial Auditor really looked at the fact it was a buyer's market at the time and that real estate people with whom I have met have shown me that property could have been available for considerably less.

The fact that you suggest it should have been open to tender may be an indication you realized the market was soft and they could have obtained a better deal, but you do not go into any great detail about the types of deals that could have been available at the time.

I want to deal with page 75 of your report, because the government's reply is so full of holes that you can drive a bulldozer through it. At the top of page 75 the government's reply says, "First the client ministry stated a clear requirement to consolidate in one location." That was not true. I can supply the auditor with a letter—I wonder whether he saw it—that was addressed to Mr. Wiseman in which the minister, Mr. Bennett, clearly indicated that the Minister of Municipal Affairs and Housing was willing to locate at 55 Bloor Street West, with 125,000 square feet being tied over to 77 Bloor Street West. The minister gives reasons why this would have been acceptable in that letter.

The last sentence in his letter states that he could stay in the current area. What we have is a clear denial by Mr. Bennett to Mr. Wiseman of the statement given to the auditor: namely, that a clear requirement for consolidation in one location is needed. If the auditor did not run across that letter, I would be happy to supply it to him.

Second, the third paragraph on page 75 says, "The decision made to approve the marginally more expensive option..." If we look at all the costs, we find it is a lot more than marginally more expensive. The last part is particularly relevant. It says it "was based on functional and operational benefits to the client including: location, layout flexibility, building age and timing."

There is an internal memorandum of January 27, 1983, to Mr. Gregory that gives exactly the opposite point of view. It says:

"In response to your memorandum of 83 01 20 and Mr. Briggs's telecon 83 01 20"—in other words, January 20, 1983—"with your conclusion about the rentable area efficiency of 777 Bay

Street versus 77 Bloor Street is that 777 Bay is not substantially more space-efficient than 77 Bloor and may in fact be slightly less, particularly if the client ministry requires private offices to their present extent."

We have an internal memorandum that denies the very information they are giving to you as their reason for needing it.

Mr. Epp: May I interrupt you? You said you had to leave at 11 o'clock.

Mr. Philip: No, I said I had to leave at 11:45 a.m.

Mr. Epp: I am sorry. I wonder how long are you going to go on, because I want to get in some comments and I think the auditor wants to respond.

The Vice-Chairman: I think that is a fair question. All members are given an opportunity to participate.

Mr. Philip: Can you give me another five minutes?

They mention the building's age, but the other aspect of the older building, of course, is the fact that they pay lower taxes. I wonder whether you looked at that. In 1984 the base tax for 77 Bloor Street West was \$4.43 per square foot and the operating cost was \$3.30 per square foot. In 1984 the taxes on 60 Bloor Street West were \$3.87 per square foot and the operating costs were \$3.46 per square foot. At the same time, the 1984 base tax for 777 Bay Street was \$4.78 per square foot and the operating costs were \$3.59 per square foot. My calculation, based on discussions with some real estate consultants I have met, suggests that the difference is \$1 per square foot. That is substantial, not marginal, as it is referred to in the answer.

11:10 a.m.

I would also like to point out item 3: "Both landlords were given sufficient notice and opportunities to submit competitive proposals and each recognized the importance of the lease rate." I would like to point out that at 77 Bloor Street West, the Cadillac Fairview Corp. Ltd. renegotiated with the Ministry of Government Services later for about \$11 a square foot. How could they have made a reasonable offer when they later made a substantially lower offer? The government clearly did not negotiate and that should have been looked at.

One of the things that also was not looked at was the whole cost of employee time lost in the move. That should have been calculated in the cost of the move and in the comparisons. Also not looked at was the amount lost in giving up

substantially low leases. Why were these not sublet? The Cadillac leases were at a very low rate, yet the ministry simply walked away from it without getting any kind of remuneration from Cadillac or without trying to sublet or rent to other government ministries.

Those are issues which you did not address yourself to, and since Ms. Caplan will not produce the adequate documents and comparisons, I hope you might be able to go in there and look at these documents so that we might deal with them at another time.

The other matter I wanted to bring to your attention was the sale of properties. The best examples we can look at are 434 and 454 University Avenue. The government sold these buildings and it will be interesting to find out who bought them and which ones have been flipped. If we look at 434 and 454 University, we have to ask: What is the rationale of the sale, and what precisely was the projection of the retrofitting on these buildings had they been kept up?

The rationale it will give you is that the buildings were old and it would cost a lot to retrofit and keep them in production. If you look at what work has been done by the new owners, however, you will see they have not had to put a great deal of money into those. The other thing that should be looked at is why, in selling these buildings, they would not have applied for rezoning to a higher density when other buildings in the area were obtaining a rezoning. If you are going to put a product on the market, you try to fix it up so that you can get the best price.

A third interesting matter is whether there were any tables or projections concerning the option of staying in the building as opposed to selling and leasing other premises for 434 and 454 University. Are there comparisons between the moving option and the staying option? If we had an opportunity to examine the documents, if there are such documents, we would see a substantial loss on the sale of these buildings.

I hope the auditor will look into that move so we can deal with it at a later date. The government has had no policy in the sale of buildings. It was ridiculous to sell buildings at a time when the market was low, having held on to them for so long, and if we were to sell, it was ridiculous not to apply for rezonings.

There was little justification for selling them in the first place. The justification was that the previous government, for whatever reason, wanted to raise a bunch of money so it decided to sell them off no matter what the future costs would be.

It strikes me as blatantly obscene and ridiculous that it sold off perfectly good buildings and then rented in the same area at very high cost. I hope you look at that, and also at the buildings at 40 Holly Street and 8 York Street and check out whether the real winners in this have been the investors and the real losers have been the taxpayers.

The Vice-Chairman: How would members prefer to deal with this? Should we delay Mr. Archer's comments and response until after we have heard from other members?

Mr. Wildman: No. It would be better for Mr. Archer to respond now. Mr. Epp has to leave. Perhaps he can proceed.

The Vice-Chairman: The Liberal critic and Mr. Archer can respond to both critics' comments.

Mr. Philip: I can always read his response in Hansard.

Mr. Epp: I have two points I want to raise. One is that it does not matter to me. I have to leave right away. I have a delegation waiting for me. I am sorry I cannot hear Mr. Archer's response. It is fine with me if he does respond immediately to Mr. Philip. It is probably a better arrangement that way instead of picking it up later. Perhaps we will have an opportunity later, maybe not today but another day, to continue this discussion. It is a very important discussion. I have some points I would like to make.

The committee moved to other business at 11:15 a.m.

11:26 a.m.

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR (continued)

The Vice-Chairman: Mr. Archer, perhaps you could respond to Mr. Philip's comments.

Mr. Archer: This is with respect to Mr. Philip's closing remarks about looking into the sale of property; you mentioned two locations on University Avenue and a couple of others. Our office has no objection to looking into this matter. However, I would prefer that the request be in the form of a resolution from a committee rather than a request from an individual, because once we open the door to that I think our office will be running around trying to answer questions or investigate matters for 125 members. I would much prefer the matter to be handled that way.

With regard to the comments Mr. Philip made on the content of our report on the move of the Ministry of Municipal Affairs and Housing, we

felt we had investigated the situation sufficiently to raise a number of questions as to the wisdom of the move and the economy and efficiency of the move. The Legislature, in the form of the standing committee on public accounts, would then take over and have ministry officials before them to thrash the matter out and answer a number of the questions Mr. Philip raised this morning.

However, inherent in his comments is the feeling he does not think the comments we made in our report are of sufficient assistance to him or to the members of the committee to adequately pursue the matter with the ministry. If that is the case, then we will take those comments under consideration; that is our role. We are here to help the Legislature and, in particular, the public accounts committee to hold the government accountable. If the comments we are making and the information we are providing is not as complete or as extensive as the committee wishes, then tell us and we shall endeavour to improve our performance in the future.

11:30 a.m.

Returning to Mr. Philip's opening comments with respect to the situation of the Comptroller General in Ottawa, inherent again in Mr. Philip's comments was the expectation that government should be run error-free, and I just do not think that is a realistic expectation. No matter what control mechanisms you put into place, auditors are always going to be able to come up with a few findings and a few horror stories.

Certainly, they have a Comptroller General in Ottawa, but the Auditor General of Canada has no difficulty coming up with a large volume of deficiencies.

I do not fully subscribe to the view that we need a controller general, as such, in Ontario. I think Management Board really should be performing that role. The Comptroller General in Ottawa is just a deputy minister. At least, in Management Board we have a minister of the crown as chairman. I think that is a plus.

We have had an accountability study, as you all know, done on the government. They are not making any recommendations to the effect of establishing a controller general position. I think that is significant.

Mr. Philip: I guess they should have hired Mr. Gillies and I to do the study for them. It would have come in at considerably less than what we paid for it.

Mr. Wildman: What happened to the \$1 a year man?

Mr. Archer: The problem that I see in the control area in the Ontario government is the relationship of the deputy minister. Maybe he is misnamed. Maybe he should not be a deputy minister, but he should be called controller general, accounting officer, executive director of that department or something of that nature.

Right now we have deputy ministers who have three levels of responsibility. They are responsible to Management Board for the administration of their department. They are responsible to the minister for any policy matters the minister wants to delegate and to the extent that the minister wants to get involved in administration. Of course, they are also responsible to the Premier's office, because it is the Premier's office that appoints them in the first place.

If you are going to strengthen the control mechanism at the top in the Ontario government you have to clarify the responsibilities of the deputy minister so he is not trying to satisfy three different bosses at the same time. I think maybe this committee could address itself to that. I do not know, but that certainly is the area I think needs attention on the Ontario scene.

The Vice-Chairman: Excuse me, have you ever made that point in your reports?

Mr. Archer: Not as clearly as I have this morning, I do not believe.

Mr. Wildman: I think it is worthy of pursuit. It is a very important point.

Mr. Gillies: May I speak to that point for a minute as someone who was in cabinet for just five months. I am sure our chairman is probably sharing some of the thoughts I have now.

Especially for a new minister, it becomes very difficult, and sometimes frustrating, to sort out the lines of accountability of a deputy minister. When we go back to the Wiseman affair, I happen to think that a lot of the problems surrounding that whole event were along the lines of accountability and the confusion over accountability.

I do not want to get into the specifics on that one, but I happen to believe there was a lot more to that particular incident than ever came up in question period, and it was because of accountability. These deputies are really torn.

I am sure this is nothing shocking, nothing exceptional, it goes on all the time and it is still going on under the new government, but there are instances where a deputy is given conflicting instructions by the minister and the deputy minister in the Premier's office or his Secretary of the Cabinet. The deputy is left scratching his head. The potential for ministerial embarrass-

ment then exists. It is something I would very much like to see looked at and clarified.

Mr. Philip, Mr. Epp and I had an opportunity on the radio this morning to discuss the relative merits and demerits of a controller. I think there is some merit to it, but I did raise a caveat at the time. We can pursue this another time, and I am sure we will. I raised the caveat at the time of what that might do to political accountability. The little scenario that I painted was one of a minister being able to get off the hook of responsibility for an action undertaken by the ministry by adding to their arsenal of arguments or weasel-words: "You cannot blame me for this because the controller was aware of it six months ago." We all know that there are already outs, the ultimate one being: "The bureaucracy acted without or against my instructions."

While I would like to see us explore the viability of the controller, I certainly do not want to add even one small argument that allows a minister to get off the hook of accountability.

Mr. Wildman: The comment made by Mr. Archer is of such significance that we, as a committee, should look at how we might pursue that at a future date.

It seems to me that the way a responsible government works is that a minister has the ultimate responsibility and must defend his ministry. If that is the case, then surely the deputy and the bureaucracy must be accountable to the minister. If the deputy owes accountability not only to Management Board for the overall administration of the ministry, but also to the Premier's office because that is where his appointment comes from, and there are sometimes conflicting issues, you could be putting a minister in a tremendously difficult position.

He might have wished the ministry to do something differently, but the deputy minister, quite responsibly, has proceeded in another manner because of instructions that he received from the meeting he has with the deputy ministers every week, or because of what has been determined as the overall policy of the government. You have the minister left hanging out to dry. I think that is a significant thing that we should be looking at as a committee.

Mr. Philip: To give her credit, Elinor Caplan has said that she is undertaking a study of space, needs and so forth, and will come up with an overall plan.

The problem is that when you have dynamic, capable ministers, often they do not last long in Management Board because the Premier wants them to take the flak in line ministries. If they are

capable, then he wants them on the news every night. Therefore, Ms. Caplan may well be moved.

If you come up with an overall plan, then it is useful to have the key public servant who the deputy ministers can quote to the Premier's office and say: "Here is the policy of the controller general and of Management Board. I cannot answer these conflicting needs, but you have to go to the super deputy minister or the controller general of Ontario"—whatever you want to call him—"and work that out with him, Mr. Treasurer," or Mr. Premier or Mr. Secretary of the Cabinet or Mr. Deputy Premier, etc.

If that is clear, the deputy minister does not have to take that pressure in the same way.

Mr. D. W. Smith: Listening to this is very interesting. I have never sat in the cabinet, but when Mr. Gillies said that he wants to put the ultimate blame—I think those were his words—on the minister—

Mr. Gillies: Responsibility for the ministry.
11:40 a.m.

Mr. D. W. Smith: Okay. I saw it when Mr. Davis was Premier, and I may have seen a little bit of it in this short time reading articles in the paper. From what I see of government, I presume the Premier's position is the ultimate position. I just do not know how you can hang a minister if, from time to time for some reason or other, the Premier decides to overrule a minister. It may be that the lines of communication have not been proper or appropriate or complete.

I think you are hanging too much on the minister. I can think of some examples that have happened. You are really hanging the minister out to dry, because a Premier can overrule.

Mr. Wildman: Keep in mind we are talking about everyday administration. This is not a policy question. We are talking about the administration aspect now.

Mr. Gillies: Let us be very clear about what we are talking about. I really think this is very important stuff.

Obviously, in the overall policy direction of the government, the last word is the Premier's. There is no question about that. We are talking more about administrative matters where, under the parliamentary principle of ministerial responsibility, the minister holds office as long as that minister can ably defend the policies and the administration of the ministry. When the minister is unable to do that, the principle then follows as to whether the minister should continue in office or not.

Where it gets difficult, is where a minister issues an instruction on an administrative matter to the ministry, which would be done through the deputy minister, and the deputy gets a conflicting instruction from elsewhere. The senior civil servant for the province is the deputy minister in the Premier's office, the Secretary of the Cabinet. That is where you run into problems.

I will give you an example without being too specific. Anyone who has ever sat in cabinet could come up with hundreds of examples of this. I remember an instruction being given by a minister to a deputy minister to undertake a certain program. The deputy minister was opposed to the program, thought he had the support of the senior bureaucracy to oppose the program and wrote a letter which directly contradicted the minister's instructions.

I know for a fact that, in this particular case I am alluding to, the matter was ultimately sorted out in the office of the deputy minister to the Premier. The deputy minister to the Premier quite correctly told the deputy minister in question, "Your first responsibility is to carry out your minister's instructions. Go and do it."

That is one incident of which I am aware. In any government today, a year ago, 10 years ago, there are dozens and dozens of such occurrences. I say to my colleague from Lambton that what we are trying to get at is not hanging a minister out to dry, but rather to clarify and perhaps strengthen the role of the ministers in such situations, so they are not hung out to dry by the bureaucracy.

The Vice-Chairman: Apparently, this is new ground, at least in respect to the auditor's comments. I do not think we should let it pass, because these things tend to die and are never heard about again.

I would suggest, if the committee agrees, that we request the Provincial Auditor to put his thoughts in writing and submit them to the committee at his convenience. Perhaps he could include some suggestions he may have in terms of structural change. At some future date, we can discuss this question in depth. Are we agreed on that?

Mr. Cordiano: I do not see any problem with that.

Mr. Philip: Mr. Chairman, I really have to give my apologies to the Provincial Auditor and members of the committee, but I do have to speak at a meeting at 12 noon. I hope the taxi is on time.

The Vice-Chairman: Mr. Archer, do you have any further comments?

Mr. Archer: I could comment on Mr. Philip's references to the comparison of our office with

the General Accounting Office in the United States. I do not think the differences are quite as extensive as Mr. Philip indicated.

We look at programs. We look to see if objectives have been defined. We look to see if a ministry has attempted to come up with measures to indicate whether or not objectives have been met, and whether, in fact, they are accumulating the statistics necessary to generate these results for comparison purposes.

We will also question whether or not they have thought of alternative methods. To use Mr. Philip's example of the aircraft carriers, if we had been looking at that program, we would have looked at the fleet complement of so many aircraft carriers, so many cruisers, so many destroyers, so many everything else. We would have asked, "On what basis did you arrive at this particular complement? Why seven aircraft carriers and why 50 destroyers?" or whatever. Then we would have tried to satisfy ourselves as to whether the explanations given were reasonable in the circumstances.

The big difference between the General Accounting Office and ourselves is in the prescriptive aspect. For example, if we go in to look at a program in a ministry we may find that they really have not made an attempt to define objectives or, assuming they have defined objectives, they may not really be making any attempt to accumulate results to determine whether these objectives have been met. We simply stop there.

We will report that in our report to the ministry and likely in our report to the Legislature. We may make some general recommendations based on what we did determine in the time we were in there as to possible routes they might go, but we would not do an in-depth investigation.

The GAO and, to some extent, the Auditor General of Canada would not stop there. What he would do is undertake to define the objectives and give them ways they could refine these global objectives into specifics. Using the facts and figures that were available, he would try to come up with results applicable to these objectives and then conclude, on comparing these results to the objectives, whether the program had met the objectives or not.

We do not do that type of thing. We feel that is management's job. It is up to us just to point out that there is a deficiency here and make reasonable general suggestions as to how the deficiency can be corrected. We do not feel it is our job to get unduly prescriptive in the way the

deficiency should be addressed. We feel that is management's job.

Mr. Gillies: Would you feel it is a fair comment that I sense in the last couple of years you have been becoming somewhat more prescriptive?

Mr. Archer: Yes, that is right.

Mr. Gillies: I think quite rightly so. I think back a year or two to your comments on the Manitoulin Island ferry situation, and I do not think members of the assembly took any offence at that at all. You saw the problem, you had some thoughts as to what should be done instead of what was being done and you made them. You made the point at the time.

Mr. Archer: It is interesting that you should raise that particular example. That is one of the few occasions during a majority government where our office and the standing committee on public accounts were attacked by both the government party and the opposition party for even having looked at that area.

Mr. Gillies: There you go.

Mr. Archer: You are right. Our office believes in constructive auditing. We do not think it is enough to just go in and say, "You are wrong. Fix it." We think we owe it to the auditees to tell them how we think it can be fixed. We have a feel for it. We have gone in there, we understand what they are doing, we understand the situation. Why not give them the benefit of our experience? We do not go in as consultants and do that in-depth, step-by-step prescription that will have to be done by the ministry ultimately. We do not intend to undertake that.

I think what is behind Mr. Philip's suggestion and the Liberal government's intention is to review the Audit Act and possibly extend the powers of the auditor. If that is the type of thing they want us to do, then by all means we will do it. However, it will be a much more costly operation. The Office of the Provincial Auditor we would be running will need considerably more staff and will need to hire consultants to a far greater extent than we do now.

11:50 a.m.

Let me see if there are any other points I can address with regard to Mr. Philip's comments. He also mentioned that we should be prepared to hire consultants and we are, but on a much more limited scale than he has in mind. We would not hire them to get into the prescriptive aspect but we are prepared to hire them to improve our understanding of the situation.

For example, if it is a highly technical area beyond auditors and accountants, we may hire a consultant to try to explain to us what is going on and what we should expect. We have done that and we intend to continue, but that is not quite as far as Mr. Philip would like to see us go.

He also mentioned that we should be prepared to respond to other committees. Although the Audit Act indicates that we will only respond to a resolution of the standing committee on public accounts, we have stated for the last several years in our annual report that we are prepared to respond to a resolution from any committee. We have not yet received any such resolutions.

There was a matter the standing committee on procedural affairs wanted us to look into this fall, but rather than pass a motion of that committee, it requested that the public accounts committee take it up and pass a resolution. We certainly are prepared to respond to a resolution from any committee.

I repeat that what I would like to avoid is the requirement that we respond to an individual member. I agree that in the situation of a minority government responding to resolutions of committees works very satisfactorily. In all honesty, however, it does not work in the situation of a majority government because you cannot rule out partisanship. Quite often the opposition may bring up a very valid point, and for reasons known only to itself the government decides it does not want that issue to be explored.

There may be some way of correcting that, possibly by requesting that the auditor undertake an assignment that has been approved by the caucus of an opposition party, or perhaps even a request from the leader of a party, but the request should go through at least some kind of a refinement process so the auditor does not have to respond to individual members.

Mr. Gillies: I have a suggestion: use the same mechanism we have in the standing orders for referring a matter from the Legislature to a standing committee, on the petition of any 20 members.

On vote 1301, administration of the Audit Act and statutory audits program:

Mr. Wildman: I want to make one comment in response to the auditor's statement. Obviously, if a matter is raised in a situation of majority government by a member of the opposition or a back-bench member of the government party, but the committee majority decides it does not want to request the auditor to investigate the matter, that does not preclude the auditor, on his own initiative, from proceeding. You could still

go ahead and look into something if your interest had been raised by the suggestion, for whatever reason.

Mr. Archer: That is true, although in doing so we are very conscious that we must not appear to be partisan ourselves. We may allow some time to elapse. If we think it is an issue that should be investigated, we may allow six months or a year to elapse, so our investigation will not be linked to the member's recommendation.

An example of that is advertising. For two or three years, the opposition members were on about government advertising, particularly the agency of record. We eventually got around to doing a review and it was covered in our report a couple of years ago. We allowed sufficient time to go by and we allowed the subject to come up several times before we undertook to do it. We did not want to be accused of siding with the Liberals or the New Democratic Party.

Mr. Wildman: There is one matter on which I would like to get some clarification from the auditor. I am looking at item 3.18 in the 1985 report. It deals with maintenance by the Ministry of Transportation and Communications. The auditor looked at the whole question of privatization, consolidation and rationalization of control areas, and a number of shifts in staffing and so on by the maintenance people at the ministry. The report goes on at considerable length and finds some good things and some bad things.

The general conclusion is that savings by the ministry from these amalgamations, the rationalization and so on, are justified, and there may be other consolidations that could take place at the same time. The ministry's response is, "Thank you very much. We are looking at the possibility of more consolidations and proceeding with more privatization, but we have to be careful while doing it," or something to that effect.

When we had our lookup for the tabling of the report, I raised concerns with the person on your staff who had carried out that audit. I do not have any arguments with the methodology used to deal with the ministry, but I am surprised that a wider spectrum was not looked at. Surely when you are deciding whether the taxpayers are getting value for money from the MTC, you have to determine if the process has had any detrimental effect on the roads for the driving public.

I asked the auditor who did the work, "Did you contact the Ontario Provincial Police or did you analyse the number of times the OPP have had to close roads in the winter since this process started?" He said he had not. Surely, that is a relevant point. In doing the audit, why does the

auditor most often deal directly with the ministry involved instead of looking a little more widely and going to a branch of another ministry that may have some relevant information concerning the audited ministry's program?

Mr. Archer: That is a valid comment. The paragraph to which you are referring on page 109 is one in which we commended the ministry for undertaking cost-effective initiatives such as these while endeavouring to maintain an acceptable level of service.

Mr. Wildman: Right, that is the operative line, in my view.

Mr. Archer: We recognize you have to have both. Your observation is that perhaps we did not do as much work as we should have done to determine whether an acceptable level of service had been maintained. If the reaction of my staff was as you indicated, then your point is well taken and it is something we should be more careful about next time.

12 noon

Mr. Wildman: If there is another branch or another ministry that has some direct or indirect information about the program, besides just looking at the ministry itself, perhaps you should go to the other one and ask for its comments.

Mr. Archer: We do. We may not have done in this instance, but I know we have in other cases. Have you any comments on this point, Mr. Otterman?

Mr. Otterman: If I understand him correctly, Mr. Wildman is asking why we did not go outside. The ministry records show an acceptable level of service from our examination of the data it has internally. You are saying that, in corroborating those records, we should have gone to the OPP and maybe looked at some injury statistics reported by other levels of government through accident information, and so on.

Normally, if we had any suspicions about the ministry's records, if they did not present a convincing argument, we might do that. In this case, I do not know, without going back—

Mr. Wildman: I do not want to prolong this. I intend to get into this when the committee actually reviews it. I am just talking about your methodology. I have no reason to cast aspersions on the ministry's figures. The MTC is probably accurate in showing you how long it takes them on average to get the ploughs out when a storm starts, which is one of the things you looked at.

I do not have an argument with that, but I do know from personal experience that, since this program started and the patrols were doubled in

length in some cases, in my part of the province at least, highways are closed by the OPP far more often each winter. They are not closed by the ministry; they are closed by the OPP, which says a road is not safe to drive on and that it is going to put up roadblocks. That happens more now than it did five or ten years ago.

That is not inaccurate information, I am sure, if you were to check with the OPP. They must have statistics on how often they do this over a period of time. It seems to me, when looking at the ministry's own figures, it might be an idea if we can find out if there is someone else who might have relevant information that will give us a better idea of whether these figures are accurate.

Mr. Ashe: May I inquire as to the timing today? Mr. Philip and Mr. Epp have gone. We have a caucus meeting in about 40 minutes at which lunch is not being served. It appears there is up to another hour and 10 minutes left in the auditor's estimates.

It might be appropriate to adjourn and carry on next week. The committee is already scheduled next week. As I understood it, when Mr. Epp left he indicated he had to go but he did have some questions he wanted to bring up. Although I am prepared to say we are finished now, from what Mr. Epp left on the record, I do not think that is appropriate.

The Vice-Chairman: I did not get that impression from Mr. Epp's comments. I had hoped we would carry the vote today and complete the estimates.

Mr. Ashe: I have no problem with that. I was not speaking on my own—

Mr. Wildman: My impression of what he said was that it was not necessary, from his point of view, for us to adjourn until he could bring up some issues later on.

Mr. Gillies: He did not say that. He did say he had some matters he would like to discuss with the auditor and that if he could not get them on during estimates, he would do it another time. I think my colleague's suggestion has some merit.

Mr. Cordiano: We would not be against doing that. I do not think there would be a problem with going through the rest of the estimates. I have to leave at 12:30 p.m.

The Vice-Chairman: What are the members' wishes? Do you want to wrap up the estimates today?

Mr. Poirier: How much time would be required?

The Vice-Chairman: Do we have another hour?

Clerk of the Committee: We started at 10:15 and have three hours. That would give us until 1:15.

Mr. Ashe: It is not necessary to use all the time. I am prepared to take a vote on it right now.

Mr. Gillies: The committee can wrap up whenever they want to.

Mr. Ashe: I am sure the auditor would prefer it that way.

Mr. Cordiano: I would like to reserve some time for the report on the domed stadium next week, which I think is pressing. I would like to review that next Thursday.

The Vice-Chairman: We were talking about having a meeting on Tuesday.

Clerk of the Committee: It is my impression that the committee is requesting an extra meeting just to look at the report; therefore, I will proceed on that. If everybody agrees, I will try to arrange a meeting for Tuesday afternoon after routine proceedings through the House leaders.

Mr. Ashe: If I could bring the issue to a head, I will move that the estimates of the Provincial Auditor be recommended to the Legislature.

Mr. D. W. Smith: I want to ask one question, although it may not be the auditor's concern. It is on page 76 of the auditor's report and concerns nursing homes. I raise it because constituents have called me who have family in private nursing homes and they were not happy with the inspections that are done from time to time. It is questionable whether I should I go to the minister. It may not be the auditor's problem.

Mr. Wildman: Mr. Chairman, on a point of order: If Mr. Smith wishes the committee to look into that matter in the auditor's report, that is our function. If you want to move that one of the issues this committee should look into and ask members of the ministry staff to come before us to deal with, that is what we can do at the committee.

Mr. D. W. Smith: That being the case, I will make that a motion. If that is what is in order here—

Mr. Wildman: It is not in order right now because we have a motion on the floor.

The Vice-Chairman: You can give notice of motion at the next meeting.

Mr. Wildman: You have to introduce a notice of motion a week in advance.

Mr. D. W. Smith: Okay. We will have to leave it at that then.

The Vice-Chairman: Shall vote 1301 carry? estimates of the Office of the Provincial Auditor.
 Vote 1301 agreed to. We will adjourn the meeting until next Tuesday.
The Vice-Chairman: That concludes the The committee adjourned at 12:08 p.m.

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 Epp, H. A. (Waterloo North L)
 Eves, E. L., Chairman (Parry Sound PC)
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 Wildman, B. (Algoma NDP)

From the Office of the Provincial Auditor:

Archer, D. F., Provincial Auditor
 Otterman, J. F., Assistant Provincial Auditor



No. A-2

Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Public Accounts

Estimates, Office of the Provincial Auditor

First Session, 33rd Parliament

Thursday, January 30, 1986

Speaker: Honourable H. A. Edighoffer
Clerk of the House: R. G. Lewis, QC



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Chairman: Harris, M. D. (Nipissing PC)

Vice-Chairman: Runciman, R. W. (Leeds PC)

Ashe, G. L. (Durham West PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Ferraro, R. E. (Wellington South L)

Gillies, P. A. (Brantford PC)

Leluk, N. G. (York West PC)

Philip, E. T. (Etobicoke NDP)

Smith, D. W., (Lambton L)

Wildman, B. (Algoma NDP)

Substitutions:

Laughren, F. (Nickel Belt NDP) for Mr. Philip

Pierce, F. J. (Rainy River PC) for Mr. Ashe

Pope, A. W. (Cochrane South PC) for Mr. Leluk

Clerk: Carrozza, F.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, January 30, 1986

The committee met at 10:13 a.m. in room 151.
SUPPLEMENTARY ESTIMATES, OFFICE
OF THE PROVINCIAL AUDITOR

On vote 1301, administration of the Audit Act and statutory audits program:

Mr. Chairman: Does anybody have any questions on the supplementary estimates?

Mr. Epp: The Provincial Auditor would recommend that they be approved.

Mr. Chairman: Mr. Archer, do you want to say anything?

Mr. Archer: I could comment briefly.

Mr. Chairman: If you do not comment, I have to carry them.

Mr. Archer: I was going to explain what the content is. The amount of the supplementary estimates represents the four per cent economic revision approved for the public service effective April 1, 1985. Therefore, the \$146,000 we are requesting by way of supplementary estimates is merely four per cent of the salary component of our original budget, which is in the neighbourhood of \$3.6 million. We are submitting a straightforward supplementary estimate.

Vote 1301 agreed to.

Mr. Chairman: This completes consideration of the supplementary estimates of the Office of the Provincial Auditor.

The committee considered other business at 10:15 a.m.

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From the Office of the Provincial Auditor:

Archer, D. F., Provincial Auditor

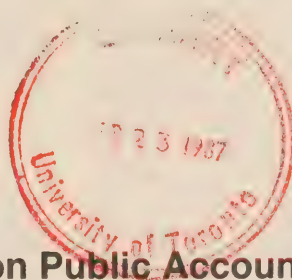


No. P-1

Hansard

Official Report of Debates

Legislative Assembly of Ontario



Standing Committee on Public Accounts
Estimates, Office of the Provincial Auditor

Second Session, 33rd Parliament
Thursday, December 18, 1986

Speaker: Honourable H. A. Edighoffer
Clerk of the House: C. L. DesRosiers

Published by the Legislative Assembly of Ontario
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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Vice-Chairman: Gillies, P. A. (Brantford PC)

Barlow, W. W. (Cambridge PC)

Callahan, R. V. (Brampton L)

Davis, W. C. (Scarborough Centre PC)

Epp, H. A. (Waterloo North L)

Mancini, R. (Essex South L)

Philip, E. T. (Etobicoke NDP)

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, December 18, 1986

The committee met at 10 a.m. in room 151.
After other business:

11:21

ESTIMATES, OFFICE OF THE PROVINCIAL AUDITOR

On vote 3801, administration of the Audit Act and statutory audits program; item 1, Office of the Provincial Auditor.

Mr. Chairman: The next item on the agenda is the estimates of the Provincial Auditor. Mr. Archer, do you have any opening comments?

Mr. Archer: Very brief ones, Mr. Chairman. Most members know Jim Otterman, the assistant provincial auditor. He is here to help explain or answer questions that committee members may have.

I hope members have received a copy of the briefing book and have at least had a chance to scan it, if not read it in its entirety. The key page in the document is page 1, which is a synopsis.

As you can see in the opening paragraph of the synopsis, our overall estimates are in the range of \$6.4 million. This represents an increase of \$1.4 million, or some 28 per cent to 29 per cent, over our 1985-86 estimates, a percentage increase that is certainly very unusual for our office, and probably for most ministries or agencies of government for that matter.

This increase reflects two major changes that have occurred in the office in the past year. One is a substantial increase in staff resources. We have increased our permanent complement by eight people, which is roughly nine per cent or 10 per cent. We have also made much more extensive use of contracting services from public accounting firms. If we were to convert the contracted services into full-time positions, we would probably be talking about another five or six staff positions in the office. Thus, the overall increase in staff resources amounts to something like the equivalent of 13 or 14 additional people.

The other major reason for the increase is the relocation of the office. We had been operating in very cramped and inadequate facilities for some time, and on November 1 we moved to much larger premises. At the same time, we are upgrading our office accommodations and facilities considerably to a level that is compatible

with the professional accounting or auditing operation that we feel we are and that certainly will put us at much the same level as a major public accounting firm. This has required bringing in a lot of additional furniture, what we call systems furniture; the development of work stations for the staff that will enable the use of microcomputers, which are an increasingly necessary resource for accounting offices these days; and also the use of telephones operating out of these work stations.

Thus, the combined increase in staff and the much-improved office accommodations account for the bulk of the 28 per cent increase in this year's estimates over last year's.

One or two other items mentioned in the synopsis are the change in the policy of the Ministry of Government Services with regard to rent. It now charges that rent back as opposed to absorbing it. That caused a couple of points in our percentage increase. As well, we are continuing, as we have done for the past two or three years, to upgrade our facilities with regard to the use of electronic data processing.

With those general comments, we will be very pleased to try to answer any specific questions, or general questions for that matter, that the committee members may have.

Mr. D. W. Smith: When the Ministry of Government Services charges this rent, is that a better way of keeping a handle on the operations of government? In your opinion, is this a good way of keeping a better tab on things?

Mr. Archer: The theory is to make the ministries and other offices such as ourselves who deal through it more accountable for the expenses of running their own operations. Over the past number of years, MGS has gone into a chargeback mode. It is charging back a lot of things now that it used to absorb, such as telephone costs and that sort of thing, and rent is the most recent of those chargebacks.

Mr. D. W. Smith: But the Ministry of Government Services will be doing this with every department or agency.

Mr. Archer: I am advised that this is the ministry's intention, but that to date, as far as the rent is concerned, it has done it only with the legislative offices: for example, ourselves, the

Ombudsman, the Commission on Election Finances and that sort of thing. It is our understanding that ultimately it will extend this to ministries as well.

Mr. Philip: I have a few questions on the auditor's estimates. The estimates propose a staff complement of 114, which is an increase of eight over last year.

Mr. Archer: Right.

Mr. Philip: To what audit areas have you assigned the new staff? Where will the extra work be taken up?

Mr. Archer: The most significant area of increase is in what we call a special assignments group within the office. During the past year we established a special assignments section whose job it will be to undertake, for example, any motions passed by the committee that require our office to do work.

We are also much more into what we call government-wide reviews. We used to audit everything on a ministry-by-ministry basis. In the past couple of years we have started to do more auditing on an across-government basis for functions that lend themselves to that type of audit: for example, the movable assets audit and the audit of the payroll, both of which were reported in this year's report.

Mr. Philip: If we look at the operations of the General Accounting Office in the United States, we see that on those specialized teams—and they have many specialized teams—there are people who are not just auditors but who will have expertise, in the case of the United States, perhaps in the defence industry, or management or legal background, or even a constitutional background and so forth. I have suggested to you that you should have at least a fairly good corporate legal person on your staff; if he has an accounting background, so much the better. Are you looking into the possibility of having people added to the staff in these special assignments groups who not only are auditors or accountants but who also have other specialties?

Mr. Archer: We are certainly looking into that. We are doing it from the standpoint not of having permanent people on staff with these capabilities but of hiring a particular expertise as we need it for a particular audit. We do not expect we will need the expertise to the extent of the GAO in Washington, or even to the extent of the Auditor General in Ottawa.

11:30

We are trying to operate from a commonsense standpoint in our audits and not get into the

position where we have experts who pass judgement on the experts whom the ministry may have hired, for example, to justify the course of action it has undertaken. However, we do feel there are certain situations where we just need expert advice, primarily for us to understand the business that the ministry or the agency is in. We see much more use of outside help in that regard, and in some cases we have got that expertise by getting people seconded from an operating division of a ministry to help us.

Mr. Philip: Do you have a staff lawyer at the present time?

Mr. Archer: No, we do not. Up until now we have used the services of the Attorney General, and we have had no occasion to be dissatisfied with those services.

Mr. Philip: In view of the experiences we have had in the past few months, would you not be suspicious that there is a possibility of a conflict of interest in using the Attorney General's lawyers? Notwithstanding some of the terrible advice they have given Attorneys General over the years—I think every case he has had has been thrown out as unconstitutional; with the exception of Sunday closing, I might add—would it not seem reasonable to have an independent staff lawyer on board?

Mr. Archer: I cannot argue with your statement, but I fall back on our experience to date. Certainly it would be expensive to hire our own on-staff lawyer, and we really do not see that there is a need. We might require legal advice only two or three times a year, and to date we have had no dissatisfaction with the advice we have been getting from the Attorney General. Thus, while in theory it might look as though there is a conflict of interest and we should have more independent legal advice, from a practical standpoint to date we have not really seen the need for it.

Mr. Philip: Since you are dealing with legislative matters, though—and far be it from me to argue on behalf of the legal profession—one of the things the Ombudsman, your counterpart from the human rights point of view, has found, and indeed legislative library research has found—and they do some excellent work for this committee as well as for other committees—is that it is very useful to have people who have legal training. They do not need to be lawyers. For example, the person who is in charge of administration at the Ombudsman's office is a lawyer. He is not practising law, but none the less he has a degree in law in addition to management

degrees, a masters in business administration or something else.

It may well be worth your while when you are looking at the next staff appointments to try to find somebody who has both a legal background and possibly an accounting background so that you at least have your own expertise on staff to deal with those matters that have legal overtones so that he can do the legal research for you.

Mr. Archer: Yes, you are right. We have had an experience like that. Two or three years ago, when there were more lawyers than there were jobs for them, we had a couple join our staff in an attempt to change careers and to get into the accounting or auditing business. They did have legal degrees; and you are right, we found that having those people on staff was an advantage.

Mr. Philip: I would like to talk about staff turnover. I will ask my first question and then I will go through some of the figures that we can extract from your report. Is staff turnover taken into account in your determination of the total staff component you proposed in the estimates? For example, during the 12 months ending January 31, 1986, your office saw a net gain of 11 staff members; 25 employees joined the office and 14 separated.

Mr. Archer: Right.

Mr. Philip: Do you build in a projection of a certain turnover when you calculate your proposed complement?

Mr. Archer: The total complement of 114 assumes that we are going to have 114 people, on average, throughout the whole year. We recognize that there is going to be a fluctuation around that figure, and one or two years ago we got approval to go above our official complement at any given time as long as we stayed within our overall dollar budget. This recognizes the fact that we are in a volatile business, that people are coming and going all the time. If we were to try never to go above the complement that was approved—say, 114 people—we would find ourselves operating well below that. And we did find that: we were operating well below our approved complement position. Now we are prepared to go up to 118 to 120 at times because we know from our past experience that, if we wait a month or two, we will probably be down to about 114 or 113.

Mr. Chairman: Mr. Callahan has a supplementary.

Mr. Callahan: I have a supplementary on the issue my colleague stressed with reference to the possible conflict of using legal staff of the

Attorney General. Your obligation under the act is really to report to the Speaker.

Mr. Archer: Right.

Mr. Callahan: In that respect, there is really no nexus between the government and you in terms of using the Attorney General as counsel.

Mr. Archer: The point would be that we are reporting through the Speaker to the Legislature on the government's administrative ability, if you would like to put it that way, and to go to a lawyer who works for the government to get his advice on government administration has the appearance of a conflict of interest on the part of the lawyer. He may find it difficult to support our point of view if it is contrary to the government's point of view. I think that is the point Mr. Philip was trying to make, and I agree that, in theory, it exists. However, in practice we have not found that; we have found that we are getting good, independent advice from the Attorney General's department.

Mr. Philip: That was the point I was making, Mr. Callahan. It opens up the problem of how someone who is working for the Attorney General goes back and justifies to his boss that he gave advice that is embarrassing to the Attorney General, for example. It also creates the problem of what happens if you are examining the Attorney General's office. If you are using the Attorney General's lawyers what you have is inside information, and it puts the person in a tremendous conflict. Who is his boss: the auditor who has commissioned him to give the advice, or the Attorney General who is his boss? It is very hard to do a public confession on yourself.

Have you done any study on the staff turnover at the accountant level? From what I have heard in the field, there is a real advantage to an accountant coming and gaining public experience and training in your office and then going back to industry. Do you see this as a healthy function, or are you acting simply as a very inexpensive training system for private enterprise? What is your average turnover for accountants?

Mr. Archer: We have a high turnover, as you can see.

Mr. Philip: But in terms of months or years, how long do they stay with you?

Mr. Archer: How long do they stay? Our basic intake level is university graduates. Everybody who comes to us is expected to enrol in one of the three main accounting associations: chartered accountants, certified management accountants or certified general accountants. In

order for them to fulfil that course of study, there is a minimum of two years, and quite often it runs three or four years before they succeed in passing the academic requirements that lead to a designation, so we will get anywhere from two to four years out of a person.

11:40

However, once they get their designation, they become very marketable. Many of them will leave our office to go into a public accounting firm, for example, or go out into industry. We are fairly competitive with the salaries that public accounting firms pay, but in many cases we are considerably under what they could get if they went for a job in industry.

Mr. Philip: If I were the president of a crown corporation I would be looking for your guys to do my internal audits. If there is one way of protecting my bum it is to have somebody who has been trained in the Provincial Auditor's office to make sure I do not fall into a trap that will cause me to be called before the standing committee on public accounts or reported on by the Provincial Auditor.

What is the advantage to a private corporation which is never going to have to deal with you unless it happens to end up in a contract, as Wyda did, with the government?

Mr. Archer: I do not think having trained with our office is much of an advantage if the person is going out to the private sector industry. What the private sector is after is a university graduate with a chartered accountant's degree. They do not care where he is trained, whether it is with us, Clarkson Gordon, or wherever. We do lose a number of our people to other ministries and agencies in the capacities of internal audit or finance people. The system recognizes a good training ground.

Mr. Philip: From the point of view of the public, it seems to me, and this may sound like a convoluted argument, the more people you train who go back into ministries and crown corporations to do internal auditing the more likelihood there is that those public companies are not going to get into trouble because at least these people are trained in what to look for, how to follow the Manual of Administration and to behave appropriately.

Mr. Archer: That is right. I fully support that. I do not have the statistics with me, although we could get them easily, but a number of our people have gone out to ministries and agencies of the government.

Mr. Philip: One of the things often talked about at the public accounts conventions you and I attend on a regular basis is that the whole field of public accounting is so different from private enterprise accounting that there is a whole profession developing. Do you have any comments on what we as a committee might look at in terms of assisting from a professional point of view in promoting the development of that specialized profession?

Do you see a need for any special ongoing professional development in the field of public accounting by the setting up of a unique field of training as distinct from the mainstream training at the universities? I know that Ken Dye has expressed some comments on that publicly. Do you have any comments saying that perhaps in Canada we have to pioneer more in the direct development of the unique profession of public accountant rather than a back-door offshoot of the mainstream of accounting?

Mr. Archer: I do not think there is anything specific that the committee needs to do. The auditors themselves across Canada are increasingly getting the mandate to do the broad-scope auditing to which you are referring, which is not done to any large extent by public accounting firms in the private sector.

In addition to that, we have the Canadian Comprehensive Auditing Foundation. We make a substantial grant to them every year, as does every legislative office across the country, particularly Ken Dye's. One of its jobs is to develop methodology and training courses for legislative auditors or any auditors who want to get more involved with broad-scope or value-for-money auditing.

In terms of the availability of training and the emphasis on that area, I think there is enough already. As far as any individual audit office is concerned, the best thing the committee can do is take the office seriously, if you like, and actively review sections in the Provincial Auditor's report and show support for the office and for the function in that way.

Speaking for our own staff, the activities of the committee in Ontario, which is one of the most active, if not the most active of the provincial public accounts committees, are great for morale. They see their work is being recognized and somebody is interested in it. It is something worth doing.

Mr. Philip: One of the things that happens in this, and in any other field, is that the pendulum swings. Two or three years ago, comprehensive

auditing was the big stick on the block—everybody was giving lipservice to it anyway.

Am I right in saying there has been a backlash and certain governments are now screaming that you are getting into policy? We may experience a time when, I think incorrectly, governments or rather politicians are being so overly defensive of their territory that the provincial auditors may have to, not necessarily take a step backwards but at least pause for a little while. I am not saying this is happening in Ontario but there seems to be a backlash in some other provinces.

Mr. Archer: There has been a backlash from the standpoint that not all provinces were fast off the mark in giving their auditors the right to do this broader-scope auditing. Ontario was fast and British Columbia and Alberta followed very quickly after Canada. Canada was the first to give that ability to the auditors.

Some provinces just said no. For example, Saskatchewan has refused to openly give the auditor that right and Newfoundland is another province that will not give the auditor this broad-scope mandate. There has been a backlash in that some governments have seen the type of auditor's reports coming out. For instance, Ken Dye's, and even, to some extent, what comes out of Ontario and some of the other provinces. They have said: "Who needs this? We get enough problems without having an auditor criticizing how well we manage." Because of that the auditors have not been able to get a broad-scope mandate.

Mr. Chairman: You have exceeded your 20 minutes, Mr. Philip. We can get back to you if the other members do not have any questions. Does any member have additional questions? If not, I have a couple of quick ones. **Mr. Archer,** your estimate of increase is 28.7 per cent.

Mr. Archer: Right.

Mr. Chairman: You are basing that on your 1985-86 estimate rather than actual, so really your increase is somewhat higher than 28 per cent.

Mr. Archer: If you go actual—but you have to wait to see what our actual is this year if you want to go actual-to-actual—we expect to spend most, if not all, the budget; but we might not.

Mr. Chairman: I do not want to be critical of your not spending all your budget. A lot of government bodies when they do have a budget want to make sure they spend it all. What you are indicating here was almost \$1.6 million less in terms of your estimate.

Mr. Archer: Yes.

Mr. Chairman: The business of increasing staff and at the same time increasing use of contracted services seems something of a contradiction.

Mr. Archer: It may seem that way. Some of this philosophy came out of meetings with the Board of Internal Economy over the years. They have never given us a hard time as far as increasing staff is concerned, but they have suggested we might think more in terms of hiring staff as needed from public accounting firms because a lot of our work is associated with the audit of agencies that have a March 31 year-end.

11:50

We have a very high auditor staff resource period from about the end of April through to the end of July or August. Since that is normally relatively a down time for public accounting firms, because year-ends are primarily December 31, there is a nice fit, because they have staff available we can use in our peak time. We try to go down the middle. We do not want to build up too much of a bureaucracy ourselves by every time we need more help going out and hiring somebody full-time. We are trying to get a balance between full-time people and contracted staff.

Mr. Chairman: You have a significant budget now. What do you do in terms of—I am assuming you do some internal audits, but has the auditor ever been audited? What happens in that case?

Mr. Barlow: Who audits the auditor?

Mr. Archer: That is a favourite press question. We have an auditor and the auditor's statement. Actually, it is a traditional financial audit that public accounting firms do, expressing an opinion on our revenue and expenses for the year. We have not had a value-for-money or broad-scope audit in our office.

The question is, how do you know you are getting value for money from the auditor? This committee is probably the best judge you could get. You are asked what you think of the product you are getting and then you ask: "What is it costing us? Is it a fair price?" All I can say in that regard is, if you take the percentage of audit budget to provincial budget, in Ontario we are by far the lowest in Canada.

Mr. Chairman: I just wondered, because there are other elements you get into. It is not simply how we feel about your work. There are other areas you certainly deal with in terms of other ministries, how supplies and equipment are

being acquired and that sort of thing. It seems to me that at some stage it might be appropriate to—

Mr. Archer: You are right, and there is nothing to prevent that type of audit being done now. The audit is done on behalf of the Board of Internal Economy. You could suggest that they request a broad-scope audit. In any future revision of our Audit Act—one may come up in the next year or two if the accord promise bears fruit—we could build that right into the legislation.

Mr. Chairman: I have one other question. The External Advisory Committee is made up of three former MPPs, and I am curious as to who they are.

Mr. Archer: As a matter of fact, we had a meeting with that committee yesterday. The three MPPs are Pat Reid—you will notice how carefully I have represented all parties—former Liberal—

Mr. Chairman: I think he is still a Liberal.

Mr. Archer: A former Liberal member I should say.

Mr. Barlow: Liberal-Labour.

Mr. Archer: The other two are George Taylor, former Progressive Conservative member, and Jack Stokes, former New Democratic Party member.

Mr. Chairman: Is there remuneration attached to that?

Mr. Archer: Yes. They get whatever the Manual of Administration allows for per diem. I think it is \$100 per day, because we only meet two or three days per year.

Mr. Chairman: Is this an order-in-council appointment?

Mr. Archer: No.

Mr. Chairman: Through your office.

Mr. Archer: Yes.

Mr. Barlow: Who are the other people out there?

Mr. Archer: Rendall Dick, former Deputy Attorney General, and Adam Zimmerman, chief executive officer of Noranda Mines.

Mr. Chairman: Anything else before we go back to Mr. Philip?

Mr. Philip: You were going directly in the direction I was going, Mr. Chairman, and I want to deal with that, but since I have the habit of sometimes running out the clock and then being told my time is up, I want to deal with something else first.

Since we are recessing for Christmas, it is appropriate for us all to thank Doug Arnott for the excellent clerking service we have had from him. He has been invaluable in lining up witnesses and taking care of everything that was necessary. He has proved to be efficient, amicable and invisible, as clerks should be, but none the less, he has been reachable, obtainable and helpful when we needed him.

Needless to say, words cannot express our appreciation to Helen Fritz. She has done an amazing job for us. This is probably the busiest committee in the Legislature. It certainly has the highest profile. The excellent research she has done for us, particularly during the very difficult summer months when we were sitting from 9 a.m. to 11 p.m., is greatly appreciated by all members.

She knows that, but it would be nice to have someone say it in Hansard. Maybe she can bring it home to her kids to show that all of us appreciate what Mommy is doing at the times when she is not at home because she is working overtime for us and that at least her overtime and her hard work are being recognized. Somebody else might want to say something similar.

Mr. Chairman: Considering the time frame, that is appropriate right now.

Mr. Gillies: I do not know whether this is the appropriate time, but I would like to thank Helen Fritz for all her help in the time I have been on this committee. It has been above and beyond the call of duty and, as Mr. Philip just noted, we were very aware during the summer months, when we were sitting rather extraordinary hours, of the difficulties those hours can pose for a busy staffer with a small child. We very much appreciated the extraordinary efforts she brought forward.

Now, with regard to your going to the Premier's Council—

Mr. Philip: I thought nobody knew about that.

Mr. Gillies: That came out. Joking aside, I think that is terrific.

Mr. Philip: That is why I did not mention it.

Mr. Gillies: I know you will bring a measure of activity to that area that has not been experienced hitherto. We wish you well in your future endeavours and hope you will remember your time with our committee as fondly as we will.

Mr. Chairman: For the edification of Mr. Philip, we dealt with this subject earlier, so you are informed that I was not neglecting Mrs. Fritz.

Mr. Callahan: With one minute left, and in the spirit of the season, I would like to offer the same congratulatory messages on behalf of our party. Anybody who can sit through politicians deserves the highest praise and the greatest reward. That is all I will say.

Mr. Chairman: Especially those who smoke at close range.

Mr. Philip: As someone who is married to a lawyer, I am sure she has plenty of practice. Never mind.

Mr. Chairman: In any event, do you have any further questions?

Mr. Philip: Yes, I have. I just wanted to say to Helen that just because we are laudatory of her work now does not mean we will not extract a quart of blood from her at some future time when she is called as a witness before the committee. We will be just as tough in our questioning.

Ms. Fritz: I look forward to that.

Mr. Philip: The chairman was talking about the increase in the estimated contractual services. You have estimated an extra three per cent in 1986-87. How do you determine the rate of payment for contractual services? Do you have a scale or is there an industry scale? How is this arrived at?

Mr. Otterman: We have a procedure whereby we contact three firms. There is a survey done of billing rates by the Institute of Chartered Accountants of Ontario of which we get a copy, so we know approximately what the billing rates are. From there we shop for the lowest quote, and we have a list of the major firms, medium-sized ones and some small firms. We go down that list on a rotational basis. As Mr. Archer mentioned, the summer is their down period when they are not as busy, so we can get some very reasonable rates compared to their normal peak season rates at this time of year.

Mr. Philip: I would like to deal with retail office space. Is the Ministry of Government Services now charging back two per cent for rental space for all legislative offices?

Mr. Archer: That is my understanding, for all legislative offices. Not two per cent; they are charging back whatever the rent is.

12:00

Mr. Otterman: If you are in leased premises, they are charging back the actual cost of that lease for legislative offices.

Mr. Philip: Had the auditor's office remained at the Suncor building, would the chargeback

have been significantly lower than the \$110,000 estimated by the office?

Mr. Archer: That is the Suncor building. That covers the period from April 1 through the end of October.

Mr. Philip: What about the new office in the Atrium? How does that compare?

Mr. Archer: That will be considerably higher. Do we have some figures? I guess it is in one of the appendices.

Mr. Otterman: Yes. It is a combination of the increased size of the facility and a different rental structure, which we would have been into on December 1, 1988, I think, had we stayed in Suncor; which was not feasible because there was not enough space available. The annual total rental cost will be roughly \$600,000 a year, somewhere in that category.

Mr. Philip: How many competitive bids on the leased accommodation did you look at before you chose the Atrium?

Mr. Otterman: To start out with, there were about 15 locations. In addition to those, we surveyed another 25 and then narrowed it down to a short list of approximately eight locations.

Mr. Philip: Out of those eight, did you then choose the cheapest?

Mr. Otterman: We did not choose the cheapest in absolute dollar amount, but on the basis of quality it was the second cheapest, and the reason was that the other building was a 26-year-old building. Although we could not nail it down exactly, the advice we received was that the major renovations that the building could have been in for would easily have made up the difference between it and the second-least-expensive choice. There were air conditioning units on the roof that were faulty. In addition, the amount of space available was questionable because there were tenants on the adjacent floor. Although the landlord said he thought he could get the space—although this happened after we had accepted the other one—he pointed out that he could not get his tenants to give up the space on the second floor, to make up the amount we needed, so it dropped off the list.

Mr. Philip: If I were to go to a major audit office that would be similar in size to yours, would I find that it was paying about the same in rent?

Mr. Otterman: No. You would find they were paying more because they are located farther downtown. They have to have a more prestigious address in a downtown Bay, Univer-

sity or King location. Immediately your rent jumps \$10 to \$11 a square foot, just like that.

Mr. Philip: Have you looked at the possibility of moving further out, where space would be less expensive, and just keeping your main offices downtown? Is there an absolute necessity to consolidate everything in one space? We have a computer age with telephone hookups. Many of your people are on the road anyway doing their audits.

Mr. Archer: That is true, but 75 per cent to 80 per cent of our work is within half a mile of Queen's Park so that being centrally located—

Mr. Mancini: We have some space in Essex county.

Mr. Philip: There is much cheaper office space if you go into parts of North York or parts of Weston, and they are within easy reach of public transport.

Mr. Otterman: We started out with a central core area, which we realized was a little too tight. We broadened that to consider at least from Bloor Street down as far as Dundas. Dundas really becomes the barrier because of the escalating rents from there downtown.

Mr. Archer gave the figure of about 75 per cent to 80 per cent. It is actually a little higher than that. The Queen's Park head offices, the MacDonald Block, this area, and amazingly even the agencies, are all within very close proximity to this core. We did some rough efficiency estimates, if you like, and it was pretty easy to come up with \$65,000 in down time by being another 10 minutes further away from this location; because after all these people are paid, on average, \$35,000, professionals and up. Therefore, we felt this was too big a tradeoff.

In addition, we were advised of some buildings that were farther north, around Yonge and Sheppard, and those rates were not any more competitive than the ones we were looking at down here. Actually, some of them were more costly.

Mr. Philip: The \$50,000 that you spent on redecorating, for an office of your size, sounds fairly low to me. It is a lot of money to the average citizen, but it still seems low for an office of your size going in. Is that attributable to the fact that you had a newer and more flexible building?

Mr. Archer: That is just the interior design cost; it is not the construction cost. All the construction comes off the leasehold improvement allowance that the landlord gave us for moving in.

Mr. Philip: Still, moving into new premises, you expect a certain amount of interior design.

Mr. Otterman: That was tendered and we got a very good rate as well. The rates ranged anywhere from \$1.50 to \$3.

Mr. Philip: Can you give us an example of what went into that? What did you get for your \$50,000?

Mr. Otterman: The entire design layout. They were responsible for determining what would be a good configuration, meeting with us and finding out what our needs are, including the furniture and furnishing needs. In effect, they planned the whole layout. That included preparing the preliminary drawings, such as mechanical, electrical and air conditioning—all of that—which then goes out for tender to the general contractors. In effect, they provided the complete package, because we do not have that expertise.

Mr. Philip: I take it that none of the furniture that is missing can be found over there.

Mr. Archer: No.

Mr. Chairman: Mr. Mancini has already checked it out.

Mr. Philip: This year marks the 100th anniversary of the Provincial Auditor, and on this special anniversary, as we go into the 101st year, all I can say is that we wish you well for many years to come. You seem to be doing a good job. Sometimes you do not go as far as I would like to see you go, but with your new staff I hope you will have an opportunity to do many of those things, and also to broaden the scope of the Provincial Auditor's office in terms of how broad a study you can do from time to time.

I appreciate the work you have done and the co-operation you and your staff have given me as a member of the committee. I know Mr. Wildman, who has to be in his riding today for a special function, shares my views. Since no doubt all members of the committee will be re-elected, we will be working with you for many years to come.

Mr. Epp: I want to add my thanks to those of Mr. Philip and those of my colleagues. But it should be noted that, although Mr. Philip has indicated that the office is that old, the auditor certainly is not that old.

Mr. Archer: Not quite.

Mr. Epp: That is an important distinction that should be made.

Mr. Philip: Some of us are contributing to that, though.

Mr. Epp: He has the same idea of having grey hair as I do.

Mr. Archer: Yes. Funny; that comes pretty early in the auditing game.

Mr. Gillies: I want to concur with my colleagues' comments that we certainly appreciate the hard work, the sound thought and the service to this committee that is provided by your office. I had the pleasure of representing our chairman and the committee as a whole at the celebration that was held to mark the 100th anniversary. I particularly enjoyed that evening because it was an opportunity to meet many members of your staff whom we would not normally encounter here at the committee. You have a very fine team indeed. We, in our party certainly, enjoy working with you and we look forward to a long and fruitful association.

Mr. Archer: Thank you. I appreciate those comments.

Mr. Philip: There were no Liberals there—only Mr. Gillies and I.

Mr. Archer: Everybody was invited.

Mr. Chairman: Are there further questions or comments? Doug, Jim and John, the three individuals with whom we work most closely, we all appreciate your efforts and we look forward to working with you in the coming year. I wish you all a merry Christmas.

Before we leave, we need some votes. Shall vote 3801, including supplementaries, carry?

Vote 3801 agreed to.

Mr. Chairman: This completes consideration of the estimates and the supplementary estimates of the Office of the Provincial Auditor.

The committee adjourned at 12:12 p.m.

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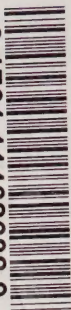
Barlow, W. W. (Cambridge PC)
 Callahan, R. V. (Brampton L)
 Epp, H. A. (Waterloo North L)
 Gillies, P. A., Vice-Chairman (Brantford PC)
 Mancini, R. (Essex South L)
 Philip, E. T. (Etobicoke NDP)
 Runciman, R. W., Chairman (Leeds PC)
 Smith, D. W. (Lambton L)

Witnesses:

From the Office of the Provincial Auditor:

Archer, D. F., Provincial Auditor
 Otterman, J. F., Assistant Provincial Auditor

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